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Dover Industries Limited

ANNUAL REPORT 1971



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Dover Industries Limited

Executive Offices: 145 MacNab St. North, Hamilton, Ontario

OPERATING
ROBINSON CONE COMPANY
Hamilton, Ontario

SUBSIDIARY COMPANIES

CHERRY TAYLOR FLOUR MILLS LIMITED

Preston and Chatham Divisions

HOWELL LITHO AND CARTONS LIMITED
Burlington, Ontario

TAYLOR GRAIN LIMITED

Chatham, Ontario

DOVER MILLS LIMITED

Halifax, Nova Scotia

DIRECTORS

Mrs. M. Campbell

J. M. Godfrey, Q.C.

D. M. Hunter

E. C. Labarge

J. R. McPhee

W. H. Pinchin

G. R. Sharwood

D. Smith

K. C. Hall

J. M. Vallance

D. H. Ward

D. H. Wigle

OFFICERS OF THE COMPANY

Mrs. M. Campbell: *President*

D. H. Wigle: *Vice-President*

D. M. Hunter: *Vice-President*

E. C. Labarge: *Vice-President*

J. R. McPhee: *Secretary-Treasurer*

TRANSFER AGENT AND REGISTRAR
CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

REPORT TO THE SHAREHOLDERS

Your Directors herewith present the 31st Annual Report and consolidated statements of Dover Industries Limited for the year ended December 31, 1971, and a five year Financial Summary.

SALES

Sales in the flour, cone and carton divisions were up 8%. The grain sales were down 24%.

EARNINGS

The consolidated net profit for the year was \$341,300 compared to \$172,764 in 1970. Earnings were \$1.96 per Common share after provision for taxes and preferred dividends.

DIVIDENDS

Dividends at the rate of 6% per annum amounting to \$61,576 were paid on Preferred shares and \$114,256 or 80¢ per share were paid on Common shares.

WORKING CAPITAL

Working capital increased to \$1,166,349 from \$838,692 the previous year.

INVENTORIES

Inventories were up slightly to \$4,135,252 from \$3,954,296, in 1970. The major portion of this was wheat held in the National Harbours Board Elevators, Halifax, for use of Dover Mills Limited.

CAPITAL EXPENDITURES

Capital expenditures during the year amounted to \$236,789. Major items were additional grain storage

and dryer at Thamesville, new cone making equipment and the first stages of the new bulk handling system at Robinson Cone.

OPERATIONS REVIEW

ROBINSON CONE COMPANY.

Overall sales increased 10% in this division. The plant operated at full capacity during the year in all lines including pails, straws and paper packaging. Expansion of the manufacturing facilities is now under way and should be completed in the spring of 1972.

HOWELL LITHO & CARTONS

Sales and profit were up this year though the full potential and capacity of the new plant was not fully realized. During the year the old Howell building in Hamilton was sold.

TAYLOR GRAIN

This was the only division where sales were not up over last year though there was a slight increase in profit. The decrease in grain sales was largely due to adverse weather conditions during the crop year resulting in lower yields. The new storage at Thamesville was completed to handle corn at harvest time and the expanded facilities rendered excellent service to both old and new customers.

CHERRY TAYLOR FLOUR MILLS

Operating conditions were again difficult in 1971, however some improvements were apparent during the year. Flour sales increased but low profit margins and poor mill feed prices did not give us an adequate return on our fixed price business.

DOVER MILLS LIMITED

Sales and profit were well above our forecast

for this division. Consumer, bakery and export sales were up, and operating costs were reduced in all areas. During the year Canada Packers Limited became our sales representatives for consumer flour throughout the Maritime Provinces. This move greatly improved our coverage of the market and resulted in increased sales.

SUMMARY

As I forecast in last year's report to the shareholders, your company is now beginning to reap the benefits of the expenditures on expanded plant facilities. Sales increased in all divisions, except Taylor Grain, and there has been a satisfactory increase in the resulting profit.

Several new plant facilities came into operation, either late in 1970 or during the current year, and the effect of these improvements will not be fully apparent until 1972 when we are confident profits will again show a satisfactory increase.

ANNUAL MEETING

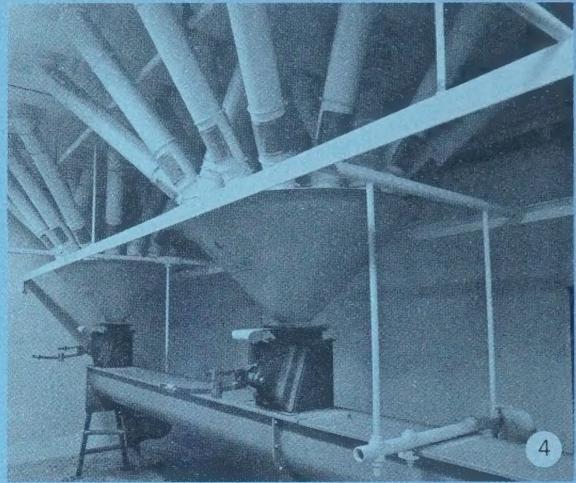
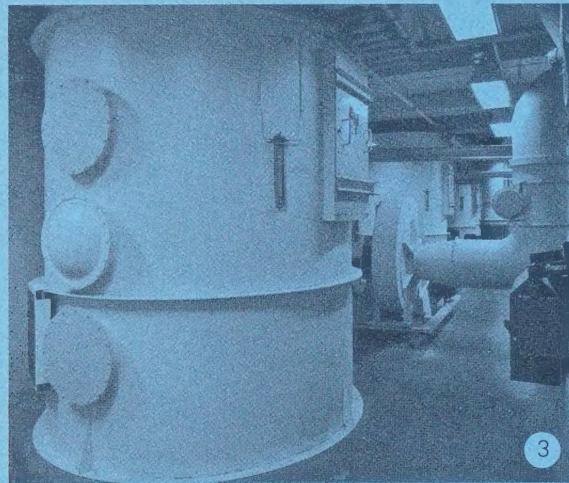
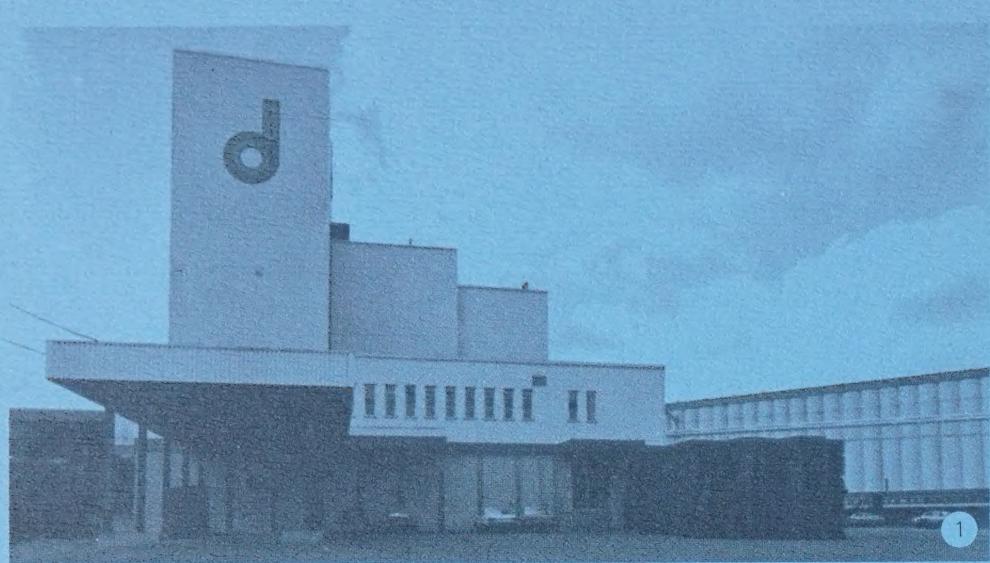
The Annual Meeting of the company will be held on Tuesday, April 25 at 10:30 a.m. at Howell Litho & Cartons Limited, Mainway Avenue, Burlington. We hope as many shareholders as possible will be present.

It is with sincere appreciation, the Board of Directors, acknowledge the contribution of management and staff throughout the past year.

Respectfully submitted
on behalf of the Board.

Mona Campbell

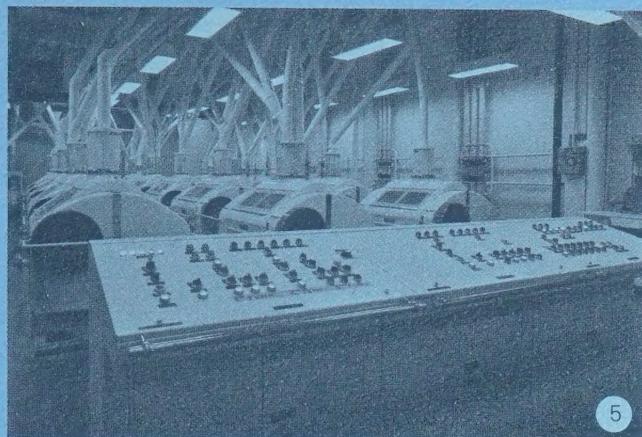
President
March 30, 1972



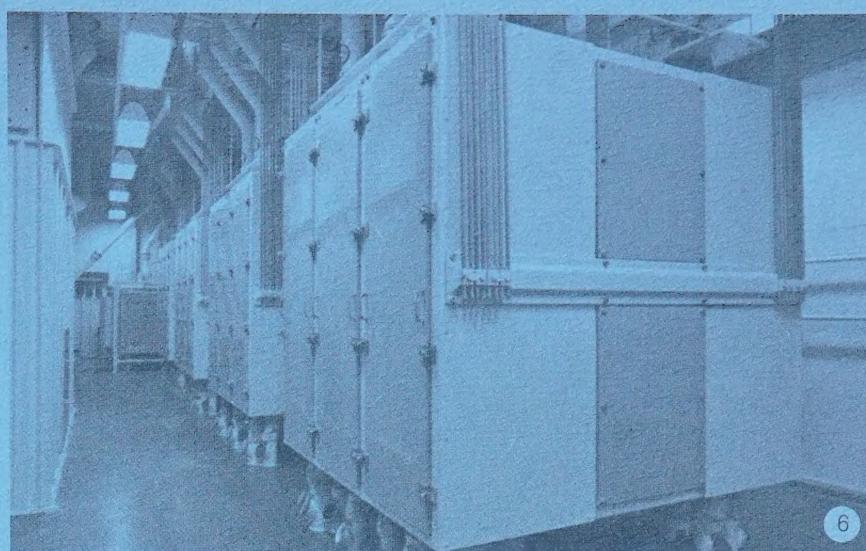
DOVER MILLS LIMITED

Canada's most modern flour mill (1) one of the most modern in North America is located on the Halifax, Nova Scotia, waterfront. It is adjacent to the National Harbours Board elevator which gives us 1,100,000 bushels of ready wheat storage and we are also next door to the ultra modern containerport.

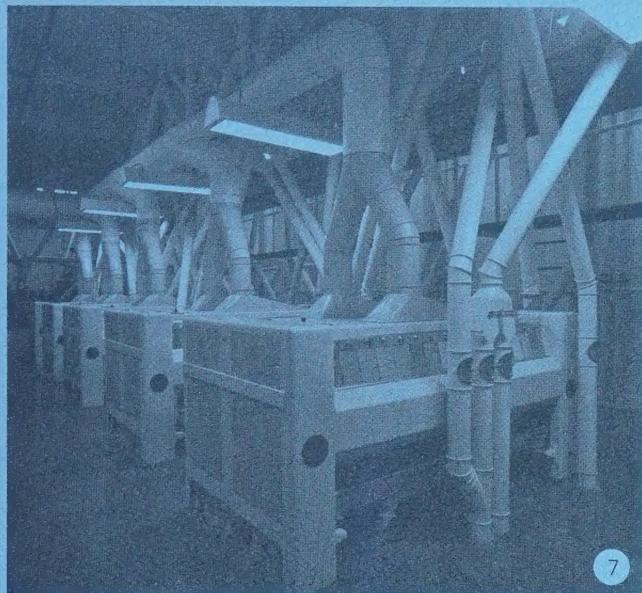
This location makes it ideal not only for receiving grain from ocean carrier but also provides all modes of transportation, truck, rail, sea cargo and containers. It is an ideal situation for serving our many customers in the Atlantic Provinces as well as export to the various world markets.



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The mill has a capacity of 3,000 cwts. of flour a day as well as 1,000 cwts. of millfeed and utilizes pneumatic systems for all product movement.

Air cyclones (2) remove the air from the product after the pneumatic lift and the stock moves by gravity to the next operations. To control air pollution dust collectors (3) provide most effective dust removal from our process air. The cleaned air can be either recirculated or discharged to the atmosphere.

Wheat is moved by large blowers to the mill from the elevator where it is blended, cleaned and tempered. Picture (4) illus-

trates the wheat blending system.

After being cleaned and tempered, the wheat is moved to the roll floor (5) for the grinding operation. The master control panel in the foreground provides one location control of the whole flour milling process.

From the rolls stock is moved pneumatically to the plansifters (6) which grades the stock by particle size and sifts out the finished flour. The presized stock then moves to the purifiers (7) which remove bran particles. From the purifiers the stock moves to the rolls again for further size reduction and then pneu-

matically back to the sifters to provide a continuous process.

The finished product is stored in bins which have a bulk capacity of 38,000 cwts. All movement of finished product is controlled by a visual control panel (8) which indicates the position of each bin and the flow in and out to various packers, bulk trucks or bulk rail cars.

The mill started production in May, 1968 and by 1971 was operating at full capacity on a 24 hour 5 day week basis. Approximately 54% of production was sold on domestic market with the balance going for export.

Dover Industries Limited*(Incorporated under the laws of Canada)***CONSOLIDATED BALANCE SHEET***December 31, 1971 (with comparative figures at December 31, 1970)*

	ASSETS	1971	1970
CURRENT:			
Accounts receivable.....	\$ 2,054,832	\$ 1,675,512	
Inventories (note 1).....	4,135,252	3,954,296	
Prepaid expenses.....	54,994	54,135	
Total current assets.....	6,245,078	5,683,943	
FIXED (note 2):			
Land, buildings and equipment at cost.....	8,354,865	8,526,348	
Less accumulated depreciation.....	4,404,957	4,299,394	
	3,949,908	4,226,954	
OTHER:			
Mortgages receivable.....	95,000	11,500	
Goodwill (excess of cost of investment in subsidiaries over equity in net tangible assets at date of acquisition).....	515,588	515,588	
	\$10,805,574	\$10,437,985	

*On behalf of the Board:**Mona Campbell* *Director**John R McPhee* *Director*

	LIABILITIES	1971	1970
CURRENT:			
Bank indebtedness (note 3).....	\$ 4,354,940	\$ 4,175,267	
Accounts payable and accrued charges.....	397,253	489,271	
Income and other taxes payable.....	174,485	35,251	
Dividends payable	15,394	15,394	
Long term debt instalments due within one year.....	136,657	130,068	
Total current liabilities.....	5,078,729	4,845,251	
LONG TERM DEBT (note 4).....	1,619,321	1,755,978	
DEFERRED INCOME TAXES.....	222,000	116,700	
SHAREHOLDERS' EQUITY:			
Capital stock—			
Authorized:			
105,000 6% cumulative preferred shares of the par value of \$10 each redeemable at par			
200,000 common shares without par value			
Issued:			
102,626 preferred shares.....	1,026,260	1,026,260	
142,820 common shares.....	71,750	71,750	
	1,098,010	1,098,010	
Retained earnings (statement 2).....	2,787,514	2,622,046	
	3,885,524	3,720,056	
	\$10,805,574	\$10,437,985	

Dover Industries Limited

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1971 (*with comparative figures for 1970*)

STATEMENT OF INCOME

	1971	1970
Sales (note 5).....	\$18,000,064	\$17,793,254
Operating costs and expenses (including depreciation of \$320,353 in 1971 and \$329,508 in 1970).....	17,113,075	17,132,447
Income from operations.....	886,989	660,807
Interest:		
Long term debt.....	121,458	134,130
Bank indebtedness and other.....	134,931	166,913
	256,389	301,043
Income before taxes thereon.....	630,600	359,764
Income taxes.....	289,300	187,000
Net income for year.....	\$ 341,300	\$ 172,764
Earnings per common share.....	<u>\$1.96</u>	<u>\$.78</u>

STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of year.....	\$ 2,622,046	\$ 2,625,114
Net income for year.....	341,300	172,764
	2,963,346	2,797,878
Dividends declared—		
Preferred—60¢ per share.....	61,576	61,576
Common—80¢ per share.....	114,256	114,256
	175,832	175,832
Retained earnings at end of year.....	<u>\$ 2,787,514</u>	<u>\$ 2,622,046</u>

Dover Industries Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
Source of funds:		
Operations—		
Net income for year.....	\$ 341,300	\$ 172,764
Add:		
Loss on sale of fixed assets.....	31,907	
Depreciation.....	320,353	329,508
Deferred income taxes (net).....	105,300	112,100
	798,860	614,372
Proceeds from sale of subsidiary's property in Hamilton less mortgage receivable.	76,575	
Special refundable tax recovered.....		5,159
Other.....	1,500	1,500
Total source of funds.....	876,935	621,031
Application of funds:		
Acquisition of minority shareholdings in subsidiary company.....		16,000
Repayment of 6% notes payable.....		55,000
New facilities and equipment (net).....	236,789	700,369
Dividends to shareholders.....	175,832	175,832
Provision for repayment of long term debt.....	136,657	130,568
Total application of funds.....	549,278	1,077,769
 Increase (decrease) in working capital.....	327,657	(456,738)
Working capital at beginning of year.....	838,692	1,295,430
Working capital at end of year.....	<u>\$ 1,166,349</u>	<u>\$ 838,692</u>

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 1971

(4) LONG TERM DEBT

Long term debt consists of:

	1971	1970
7% first mortgage repayable in monthly instalments of \$360 including principal and interest, due June 10, 1974.	\$ 19,305	\$ 22,167
5% debentures of a subsidiary company due February 28, 1975 (requiring yearly sinking fund payments of \$36,000).....	144,000	180,000
7% first mortgage sinking fund bonds—Series A repayable in equal annual instalments to 1977 covering principal and interest and maturing on June 1, 1977.....	552,739	612,431
Series B repayable in equal annual instalments to 1987 covering principal and interest and maturing on June 1, 1987.....	1,039,934	1,071,448
	1,592,673	1,683,879
	1,755,978	1,886,046
Less principal repayments due within one year.....	136,657	130,068
	<u>\$1,619,321</u>	<u>\$1,755,978</u>

(1) INVENTORIES

The inventories are valued at the lower of cost and net realizable value and consist of the following:

	1971	1970
Inventory of grains.....	\$2,488,282	\$2,559,213
Other raw materials.....	509,760	334,902
Work in process.....	187,118	108,333
Finished goods.....	950,092	951,848
	<u>\$4,135,252</u>	<u>\$3,954,296</u>

(2) FIXED ASSETS

	1971	1970		
	Cost	Accumulated depreciation	Net book value	Net book value
Land . . .	\$ 115,545		\$ 115,545	\$ 238,030
Buildings	2,973,930	\$ 594,029	2,379,901	2,470,551
Equipment	5,265,390	3,810,928	1,454,462	1,518,373
	<u>\$8,354,865</u>	<u>\$4,404,957</u>	<u>\$3,949,908</u>	<u>\$4,226,954</u>

Depreciation has been provided on the straight-line method at rates based on estimated useful life.

(3) BANK INDEBTEDNESS

The bank indebtedness of the subsidiaries is \$4,069,555 of which \$2,799,979 is secured by a pledge of inventories and an assignment of book debts.

Sinking fund payment requirements on the 7% first mortgage bonds during the next five years are as follows:

1972—\$97,591; 1973—\$104,422; 1974—\$111,732;
1975—\$119,553; 1976—\$127,922.

The 7% first mortgage sinking fund bonds are further secured by the guarantee of a subsidiary and a floating charge on all of the subsidiary's assets.

(5) GROSS REVENUE BY CLASS OF BUSINESS

Gross revenue includes the following classes of business of the companies:

	1971	1970
Food products.....	\$13,452,564	\$13,424,198
Packaging materials.....	4,547,500	4,369,056
	<u>\$18,000,064</u>	<u>\$17,793,254</u>

(6) STATUTORY INFORMATION

As required by the provisions of the Canada Corporations Act, it is reported that expenses for 1971 include:

Aggregate remuneration of 13 directors as directors of Dover Industries Limited..... \$ 3,900

Aggregate remuneration of 5 officers as officers of Dover Industries Limited (all of whom are directors) . . \$84,996

Dover Industries Limited

FINANCIAL SUMMARY 1967 TO 1971

EARNINGS AND DIVIDENDS

	1971	1970	1969	1968	1967
Income before taxes.....	\$ 630,600	\$ 359,764	\$ 555,143	\$ 536,854	\$ 500,092
Income tax provision.....	\$ 289,300	187,000	297,800	296,000	234,200
Net income.....	\$ 341,300	172,764	257,343	240,854	265,892
Net income per preferred share.....	\$ 3.33	1.68	2.51	2.35	2.59
Net income per common share.....	\$ 1.96	.78	1.37	1.26	1.43
Dividends per preferred share.....	\$.60	.60	.60	.60	.60
Dividends per common share.....	\$.80	.80	.80	.80	.80
Earnings retained in business.....	\$ 165,468	\$ (3,068)	81,511	65,022	90,060

FINANCIAL STATUS

	1971	1970	1969	1968	1967
Current assets.....	\$6,245,078	\$5,683,943	\$5,185,816	\$5,572,620	\$5,109,392
Current liabilities.....	\$5,078,729	4,845,251	3,890,386	4,571,781	4,340,691
Working capital.....	\$1,166,349	838,692	1,295,430	1,000,839	768,701
Current ratio.....	1.2 to 1	1.2 to 1	1.3 to 1	1.2 to 1	1.2 to 1
Plant and equipment (net).....	\$3,949,908	4,226,954	3,856,093	4,198,862	3,955,360
Stockholders' investment (capital and surplus).....	\$3,885,524	3,720,056	3,723,124	3,641,613	3,576,591
Common stock equity per share.....	\$ 20.02	18.86	18.88	18.31	17.86
Shares of preferred stock outstanding.....	102,626	102,626	102,626	102,626	102,626
Shares of common stock outstanding.....	142,820	142,820	142,820	142,820	142,820

AUDITORS' REPORT *To the Shareholders of Dover Industries Limited:*

We have examined the consolidated balance sheet of Dover Industries Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1971 and the results

of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada,
February 28, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants.

Dover Industries Limited

Executive Offices: 145 MacNab St. North, Hamilton, Ontario

CONES & STRAWS

Sales Offices and Warehouses:

Hamilton, Ontario • Montreal, Quebec

Warehouses and Sales Agents:

St. John's, Newfoundland

Halifax, Nova Scotia

Saint John, New Brunswick

Quebec City, Quebec

North Bay, Ontario

Fort William, Ontario

Winnipeg, Manitoba

Regina, Saskatchewan

Saskatoon, Saskatchewan

Calgary, Alberta

Edmonton, Alberta

Vancouver, British Columbia

Victoria, British Columbia

ROBINSON CONE

FLOUR & GRAIN • CHERRY TAYLOR FLOUR MILLS • TAYLOR GRAIN • DOVER MILLS

Direct Sales:

Coast to Coast—Canada

Sales Agents:

England

Scotland

Portugal

Bermuda

Bahamas

Jamaica

Antigua

Barbados

Grenada

St. Lucia

Montserrat

St. Vincent

Dominica

Guyana

St. Kitts

Trinidad

Netherland Antilles

PAPER BOXES, LABELS & POSTERS

HOWELL LITHO & CARTONS

Sales Offices:

Burlington, Ontario • Montreal, Quebec

Sales Agents

St. John's, Newfoundland

Halifax, Nova Scotia

Saint John, New Brunswick

Quebec City, Quebec

Vancouver, British Columbia

Jobber distribution coast to coast.



